

Issue Brief – DAS ISF Rate Change Impacts

NUMBER CFGO-08-01

SUMMARY

The following table shows the impact of the recommended Internal Service Fund (ISF) rate changes for the Department of Administrative Services (DAS) on state agencies. Please see page two for a summary of changes.

Impact on State Agencies of Recommended ISF Rate Changes									
	DFCM	Fleet	Risk Mgt	DHRM	Total	General Fund	School Funds	Other	Total
<u>Capital Facilities and Government Ops</u>									
Navajo Trust Administration	0	(300)	0	3,300	3,000	0	0	3,000	3,000
Capitol Preservation Board	0	0	0	800	800	800	0	0	800
Administrative Services	0	(1,400)	0	1,100	(300)	200	0	(500)	(300)
Human Resource Management	0	0	0	1,100	1,100	1,100	0	0	1,100
Career Service Review Board	0	0	0	100	100	100	0	0	100
Technology Services	0	0	0	1,200	1,200	1,200	0	0	1,200
<u>Commerce and Workforce Services</u>									
Tax Commission	0	(3,400)	0	18,100	14,700	9,200	8,200	(2,700)	14,700
Workforce Services	0	0	0	45,400	45,400	13,500	0	31,900	45,400
Labor Commission	18,500	(1,000)	0	4,200	21,700	21,900	0	(200)	21,700
Commerce	33,300	(1,100)	0	12,800	45,000	0	0	45,000	45,000
Financial Institutions	0	0	0	6,200	6,200	0	0	6,200	6,200
Insurance	0	(700)	0	9,700	9,000	8,900	0	100	9,000
Public Service Commission	3,800	0	0	1,100	4,900	0	0	4,900	4,900
Alcoholic Beverage Control	0	(1,200)	0	37,300	36,100	0	0	36,100	36,100
<u>Economic Development and Revenue</u>									
Community and Culture	35,600	(600)	(11,100)	4,600	28,500	28,600	0	(100)	28,500
USTAR	0	0	34,000	2,900	36,900	36,900	0	0	36,900
<u>Executive Offices and Criminal Justice</u>									
Judicial Branch	(72,900)	(6,700)	(10,000)	0	(89,600)	(89,600)	0	0	(89,600)
Governor's Office	0	(2,200)	40,000	15,800	53,600	53,600	0	0	53,600
Attorney General	39,400	(1,600)	0	0	37,800	38,100	0	(300)	37,800
State Treasurer	0	(200)	0	(100)	(300)	(100)	0	(200)	(300)
State Auditor	0	(300)	0	3,800	3,500	3,500	0	0	3,500
Public Safety	48,000	(158,700)	46,500	83,700	19,500	12,700	0	6,800	19,500
Board of Pardons and Parol	0	(900)	0	2,400	1,500	1,500	0	0	1,500
Corrections	0	(16,300)	(50,000)	145,500	79,200	79,200	0	0	79,200
<u>Higher Education</u>									
Higher Education	(30,000)	(12,500)	0	0	(42,500)	(1,700)	(26,800)	(14,000)	(42,500)
Medical Education Council	0	100	0	4,300	4,400	4,400	0	0	4,400
UCAT	0	(300)	0	0	(300)	0	(200)	(100)	(300)
<u>Health and Human Services</u>									
Human Services	100,000	(12,400)	0	137,600	225,200	133,800	0	91,400	225,200
Juvenile Justice Services	0	(9,800)	0	0	(9,800)	(9,700)	0	(100)	(9,800)
Health	0	(2,200)	0	71,100	68,900	37,700	0	31,200	68,900
<u>Legislature</u>									
Legislative Branch					0				0
<u>Natural Resources</u>									
Natural Resources	0	(57,900)	0	96,700	38,800	78,500	0	(39,700)	38,800
Public Lands Policy Office	0	(400)	5,400	1,300	6,300	5,800	0	500	6,300
Agriculture	35,000	(12,000)	0	17,200	40,200	45,800	0	(5,600)	40,200
SITLA	0	(5,800)	0	5,800	0	0	0	0	0
<u>Public Education</u>									
Board of Education	0	(9,300)	0	31,300	22,000	0	23,300	(1,300)	22,000
<u>Transportation, DEQ and NG</u>									
Utah National Guard	0	(2,300)	(4,000)	14,700	8,400	13,900	0	(5,500)	8,400
Veterans' Affairs	0	(2,700)	5,900	2,200	5,400	5,600	0	(200)	5,400
Environmental Quality	0	(8,200)	0	9,300	1,100	4,700	0	(3,600)	1,100
Transportation	18,000	(760,900)	(60,800)	79,800	(723,900)	0	0	(723,900)	(723,900)
Total	228,700	(1,093,200)	(4,100)	872,300	3,700	540,100	4,500	(540,900)	3,700

SUMMARY OF CHANGES**Division of Facilities Construction and Mgt.**

This ISF provides building maintenance and management to over 150 state facilities. Each year the division analyzes the services provided to each building and determines if a rate adjustment is necessary. The rates are unique to each building and are based on current maintenance and utility costs. For FY 2009 the division requests increasing the rate for nine buildings to cover increased labor and utility expenses and decreasing the rate for three buildings for a net impact of \$228,700.

In addition to the rate increases described above, the division anticipates making several adjustments in FY 2008 and 2009 for new locations being added to the ISF. The largest adjustment in FY 2008 is the College of Eastern Utah campus in Price that recently negotiated with DFCM to manage and maintain its buildings. This marks the first institution of Higher Education to contract out the maintenance of their facilities. In FY 2009 the two largest adjustments are for the new Unified Lab and the new St. George Courthouse which will be completed that year.

Fleet Operations

For FY 2009 the division of Fleet Operations proposes to reduce the rates charged to state agencies by \$1,134,700. Of that amount \$1,026,000 is due to the Division request to increase the salvage value from 17 percent to 18 percent for sedans and from 17 percent to 21 percent for trucks, vans, and SUVs. The vehicle lease rate Fleet charges agencies decreases as the salvage value increases because Fleet keeps the amount it receives on the sale of a vehicle at the end of its useful life. During the last few years Fleet has made a profit on the sale of its vehicles, especially SUVs and trucks. Fleet requests the ability to give these savings back to the State in the form of a rate decrease.

The division also requests a new rate for FY 2009 to eliminate unnecessary over charging of depreciation when vehicles are kept in service past their turn-in date. Agencies would be charged a \$150 flat rate while a vehicle is kept in service past its turn-in date rather than the regular monthly lease rate that would be several times that amount. Fleet estimates the

rate impact of this change would be a cost savings of \$150,800.

Risk Management

Liability insurance rates will stay the same as last year though ten agencies will see a premium increase or decrease due to improved or worsened claims performance. Liability rates are recommended by an actuary based on claims information sent by the division at the end of each fiscal year. Each year the actuary determines whether the fund is actuarially sound and whether reserves need to be increased or decreased. The total FY 2009 impact is zero.

The Workers Compensation rate for FY 2008 and FY 2009 will decrease 8 percent for the State and 22 percent for UDOT. During the past year Risk studied the option of internalizing Workers Compensation or continuing to contract with an outside provider. With the help of an outside consulting firm, Risk determined it would be least expensive to purchase insurance and claims handling from an outside vendor. Bids were solicited and the contract was awarded to the Workers Compensation Fund of Utah at lower rates than the previous year.

Dept. of Human Resource Management

The DHRM ISF has only been in operation since FY 2007. As a result rates and operations are still being refined. Rates for FY 2009 will increase from \$561.25 per FTE to \$613 for Human Resource Services and will decrease from \$130 per FTE to \$115 for Payroll Services. The large increase in the HR Services rate is due mainly to compensation and benefit increases from the previous year. Unlike appropriated agencies that receive funding for Cost-of-Living Adjustments, health insurance premium increases, and discretionary salary adjustments, internal service funds must recoup the cost of these increases through rates. Many ISF are able to fund these increases internally because the services they provide are not directly related to personnel and excess demand for services pays for increased costs. The services DHRM provides, however, are almost entirely personnel driven and with 166 FTE, the division is required to increase its rates to pay for increased personnel costs.